

## Seat at the Table

October 2021

Anonymous Tech is a successful trade school with branches in three cities. Mike McDonald is its founder and CEO. Mike, now 81 years old, began as an engineer. In his late forties, after making a million dollars from stock options, he left his corporate job, got a graduate degree in education, and started A.T. The school is known for its innovative use of educational technology and its excellent history of placing its graduates in good jobs. The business was recently valued at \$100 million - it is profitable and growing, and it also owns urban real estate that has dramatically increased in value over the past few years.

Mike has just one child, his 50-year-old daughter Maureen. She has been involved with the business since graduating from college. After getting an executive MBA in her early thirties she has been the business's COO, and as her father has aged, she has progressively taken on more decision-making independence. Most recently she invested two million dollars in creating and staffing an online educational program for A.T. alumni who want to move to self-employment or start a small business. A.T.'s board of directors includes Mike, Maureen, the Chief Financial Officer Jack Gold, and two external directors, Fred Black and Pamela White, both of whom have been on the board for over twenty years. Mike brought them on when the business was growing rapidly. He thought it would be wise to have some objective input and oversight of strategic decisions, compensation policy, and accounting issues - and that it would be good for the public image of the school to have well-qualified, respected board members who weren't part of the family and had no financial interest in the business. The outside directors meet with Mike, Maureen, and the Jack quarterly. They don't usually talk with personally with Mike or Maureen except in connection with board meetings, though they do talk with Jack regularly about financial and tax issues.

Mike's wife died of cancer three years ago, just before the couple's fiftieth wedding anniversary. While he was grieving, he was diagnosed with prostate cancer. He had cognitive side effects of chemotherapy ("chemo brain"), and developed neuropathy in his feet that made him less steady on his feet and unable to drive safely. During his recovery from his cancer treatment he had a fall and hip fracture. Despite rehabilitation, he was left with poor balance and now needs either a cane, a walker, or a wheelchair to get around, depending on circumstances. His cognitive function has steadily improved but has never completely returned to baseline; he is less precise about calculations and occasionally forgets details he would have remembered before his bereavement and his illness. Mike is independent in his basic activities, is articulate, and dressed in a

business suit he looks younger than his years. But, because of his physical issues, he hasn't felt comfortable living alone since his illness and injury.

After several months of contract services from a homecare agency, Mike hired a full-time, live-in personal care assistant. Miranda is a 56-year-old divorced woman, graduate of a first-rank state university, who once was a registered nurse but let her license lapse. Miranda is a Jill-of-all-trades. Driving, shopping, cooking, housekeeping, trips to the pharmacy - she handles everything. Miranda drives Mike to work, and for the last two years she's remained at the office with him most of the workday. She's gradually learned about the business and for the past year she's officially been on the A.T. payroll as Mike's executive assistant.

Last month Maureen was shocked to find out that Mike had secretly married Miranda a year ago, and had given her a 30% interest in Anonymous Tech. Miranda has always been polite and formal with Maureen, and her behavior hasn't changed since the secret marriage. However, several company employees have witnessed public displays of affection between Mike and Miranda. When Maureen asked her father about the marriage, he told her not to worry about it. He was truly happy for the first time since losing Maureen's mother. Miranda took good care of him, and "Mo, I'm still leaving everything to you - I'm not planning to change my will. I just really appreciate what Miranda's done for me, and there's no gift tax since she's legally my wife."

Though he no longer involves himself with daily operations, Mike has remained CEO. Mike lets Maureen run the business day to day but insists on having the final word about decisions like expanding A.T. to a new city, relocating a campus, real estate transactions, adding a new business line, or hiring a senior executive. Recently the CFO told Maureen that Mike had asked an odd question about whether fish were tax deductible if you ate them to lower your cholesterol. Was he joking? Maureen had wondered if her father was "losing it" when he seemed to completely forget about a recent meeting they'd had with their city's mayor. She didn't think her father was getting demented or incompetent, though. He'd say something smart several times a week about the business or events in the news, and he never forgot the names of the office staff or senior faculty.

Maureen recently talked to Fred Black about her concern that the business was at risk for serious disruption. She had always assumed she would inherit the business. But, when Mike had given 30% of the business to Miranda, he hadn't considered that in their home state, a widow could claim a third of her late husband's estate regardless of the terms of his will. If Mike died and Miranda claimed her spousal share, she'd end up owning more than 50% of A.T. Maureen was pretty sure that Miranda would then do whatever gave her the most short-term cash, even if meant firing long-term employees, scaling down the school, and liquidating its most valuable real estate. Gossip travels fast, and some of A.T.'s senior administrators and faculty have started worrying about

their future with the school and are discreetly looking for other opportunities - including some working for A.T.'s competitors.

Maureen has repeatedly asked her father to meet with her alone, or together with the company's counsel, to talk about the future of the business. Mike hasn't been willing to do it, and she can never get time with him at the office without Miranda being present. She's gotten frustrated with Mike, who just doesn't see a problem. "I love you both", he says, "and business is going great".

Fred and Pamela, the two outside directors, were talking about the situation last week. What should they do??